

In the Matter of the Application regarding the Conversion and Acquisition of
Premera Blue Cross and Its Affiliates
Washington State Insurance Commissioner's Docket # G02-45

**ANTITRUST REVIEW
BY THE
OFFICE OF INSURANCE COMMISSIONER**

Supplement to the
Report of Keith Leffler, Ph.D

February 27, 2004

Supplement to the Report of Keith Leffler, Ph.D

Pursuant to the provisions of the Insurance Commissioner's Twenty-Fifth Order: Order Extending Case Schedule, dated January 9, 2004, Office of the Insurance Commissioner Consultant Keith Leffler hereby supplements and corrects his Report herein, dated October 27, 2003, as described below.

Supplement

The footnote shown at the bottom of this page is appended to a sentence on page 4 of the Report (this new footnote will be numbered 3a; the following sentence to which it is appended is not changed):

"However, if Premera develops individual or small group policies that effectively cater to particular areas, it may be able to exploit its market power in setting provider reimbursements in ways that are not fully passed on in premiums, and thereby increase its profits.^{3a}"

Correction

In footnote 76 on page 28 of the Report, a document was incorrectly identified as Bates number 001959. The correct Bates number is 0011959.

^{3a} During the term of the Washington Economic Impact Assurances, filed by Premera on or about February 5, 2004, the likelihood of Premera exploiting its market power in this way should be substantially mitigated by provisions of the Assurances."